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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #00158-85
14 January 1985

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Chairman, National Intelligence Council

FROM: David B. Low
Acting NIO for Economics

SUBJECT: National Defense Stockpile Goals and
Mobilization Planning Study

1. I recommend you sign the attached memorandum to Mr. McFarlane indicating that the NSC's proposal for lower stockpile goals for strategic minerals is consistent with the analysis conducted by an interagency team, which included CIA. A draft NSDD prepared by NSC in the wake of studies by the CIA and others on the needs for stockpiles recommends a drastic reduction in stockpile goals and sales of some of our current inventories.

- The necessary level of stocks is estimated to be only \$230 million compared with the current level of \$10.9 billion.
- Excess stocks would be sold apparently under the direction of the NSC (although the actual mechanism is not clear) at a rate of \$500 million per year.
- Some of the funds realized from the sales are proposed to be used to set up a new oil stockpile for the Defense Department.

The decision to dispose of a portion of the excess stockpile as well as any proposed use of proceeds are policy issues outside the purview of the Intelligence Community. However, if the Administration decides to proceed with disposal of selected materials, we would have a role in assessing the impact on and reaction of affected countries.

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2. With regard to use of the study to justify a reduction in the stockpile, I think we should qualify our support of the analysis as subject to further study. While the new methodologies used to determine base needs were clearly superior to those used by FEMA in the past, they are heavily dependent on key assumptions such as the nature of a future war and the non-military demands for these materials in a wartime situation. The new study, for example, assumes a three year war in Europe, the Middle East, and Asia which leads to the conclusion that there will be a shortage of oil but that we have access to most of our key supply of other materials. Obviously a slightly different set of assumptions could lead to much less optimistic conclusions about our needs for stocks of certain materials.

3. It is not clear at this point how other Agencies will come down on this issue. The working level at State Department was against the lowering of stockpiles. Their analyst told me, however, that Under Secretary Wallis intends to approve the recommendations for lower stockpiles, withholding approval for sales of the surplus pending study of market conditions. The working level at DOD has drafted a report critical of the analysis, but budgetary considerations may influence the final decision.

4. Note in the draft NSDD (see tab) that the NSC is proposing to assume control over sales from the existing stockpile and responsibility for developing future stockpile goals.

/s/
David B. Low

Attachments:
As stated

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DCI/NIC/A/NIO/Econ **(14 Jan 85)**

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The Director of Central Intelligence

Washington, D.C. 20505

MEMORANDUM FOR: Assistant to the President for
National Security Affairs

SUBJECT: National Defense Stockpile Goals and
Mobilization Planning Study

1. I believe the basic conclusion in the Executive Summary of the Study prepared by the NSC that lower stockpile goals for strategic minerals are warranted is consistent with the analysis conducted by the Study team. As to the actual setting of new base needs, sales of surplus stocks, and the establishment of a defense-related oil reserve, these are issues of domestic concern and not subject to Agency comment.

2. On the matter of our stockpiles, I suggest that the concerned agencies continue to review these goals on an annual basis taking account of differing wartime scenarios and up-to-date evaluations of the reliability of key suppliers. Also, should the Cabinet decide to proceed with disposal of surplus materials, we are prepared to assist in any studies relating to the possible reactions of producing countries.

William J. Casey



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